ATICO MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)

JUNE 30, 2013

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Atico Mining Corporation for the six months ended June 30, 2013 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

ATICO MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	June 30 2013	December 31 2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$ 3,618,215	$ 2,798,413
Receivables (Note 4)	44,985	26,654
Prepaids and deposits	823,689	196,731
Total current assets	4,486,889	3,021,798
Non-current assets		
Equipment (Note 5)	246,312	149,773
Exploration and evaluation assets (Note 6)	13,435,084	7,449,644
Total non-current assets	13,681,396	7,599,417
TOTAL ASSETS	$ 18,168,285	$ 10,621,215
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 768,671	$ 186,283
Total liabilities	768,671	186,283
EQUITY		
Share capital (Note 8)	19,481,883	11,689,461
Share-based payments reserve (Note 8)	1,349,403	859,770
Deficit	(3,431,672)	(2,114,299)
Total equity	17,399,614	10,434,932
TOTAL LIABILITIES AND EQUITY	$ 18,168,285	$ 10,621,215

Nature of operations and going concern (Note 1)
Event after reporting date (Note 13)

These condensed consolidated interim financial statements are authorized for issuance by the Board of Directors on August 27, 2013.

Approved by the Board of Directors

______”*Jorge R. Ganoza*”______________ Director ______”*David Miles*”______________ Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ATICO MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization (Note 5)	$ 919	$ 8,027	$ 1,632	$ 10,226
Interest expense	832	11,161	2,086	36,114
Investor relations	44,686	5,952	85,150	11,020
Management fees	130,782	53,473	213,328	127,842
Office and administrative costs	101,744	51,253	259,333	125,828
Professional fees	22,831	48,820	56,224	56,613
Property investigation costs	18,810	-	117,400	-
Share-based payments (Note 8)	307,229	152,216	493,053	152,216
Transfer agent and filing fees	20,818	22,703	35,175	25,293
Travel and related costs	13,973	12,781	65,809	12,781
	662,624	366,386	1,329,190	557,933
Loss from operations	(662,624)	(366,386)	(1,329,190)	(557,933)
Foreign exchange gain/(loss)	11,028	(3,078)	(8,519)	(1,298)
Interest income	6,454	22,939	20,336	22,939
Loss on conversion of debentures (Note 8)	-	-	-	(55,556)
	17,482	19,861	11,817	(33,915)
Loss and comprehensive loss for the period	$ (645,142)	$ (346,525)	$ (1,317,373)	$ (591,848)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding	52,107,305	39,761,111	51,017,321	29,975,397

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ATICO MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (645,142)	$ (346,525)	$ (1,317,373)	$ (591,848)
Items not affecting cash:				
Amortization	17,294	8,027	57,520	10,226
Interest accrued	-	5,448	-	16,416
Share-based payments	307,229	152,216	493,053	152,216
Loss on conversion of debentures	-	-	-	55,556
Interest income	(6,454)	(22,939)	(20,336)	(22,939)
Unrealized foreign exchange effect on cash and cash equivalents	(70)	-	(246)	-
Changes in non-cash working capital items:				
Receivables	(30,661)	36,256	(18,331)	13,280
Prepaids and deposits	(459,252)	(179,882)	(626,958)	(182,621)
Accounts payable and accrued liabilities	18,315	(48,720)	56,626	(432,124)
Net cash used in operating activities	(798,741)	(396,119)	(1,376,045)	(981,838)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	6,454	22,939	20,336	22,939
Purchase of equipment	(120,000)	(75,402)	(154,059)	(115,550)
Exploration and evaluation expenditures	(2,227,000)	(689,727)	(5,459,678)	(1,809,437)
Net cash used in investing activities	(2,340,546)	(742,190)	(5,593,401)	(1,902,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares issued for cash	-	-	8,000,001	11,500,000
Share issue costs	-	(8,469)	(217,499)	(1,074,402)
Exercise of warrants	-	-	6,500	-
Proceeds from loans payable	-	-	-	180,000
Loan repayment - principal portion	-	(180,000)	-	(180,000)
Loan repayment - interest portion	-	(5,103)	-	(5,103)
Net cash provided by (used in) financing activities	-	(193,572)	7,789,002	10,420,495
Effect on exchange rate changes on cash and cash equivalents	70	-	246	-
Change in cash during the period	(3,139,287)	(1,331,881)	819,556	7,536,609
Cash and cash equivalents, beginning of period	6,757,432	8,995,631	2,798,413	127,141
Cash and cash equivalents, end of period	$ 3,618,215	$ 7,663,750	$ 3,618,215	$ 7,663,750

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

ATICO MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Issued and outstanding shares	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	**Total Equity**
Balance as at December 31, 2011	15,400,000	$ 1,256,367	$ 230,199	$ (928,335)	$ 558,231
Common shares for cash, at $0.50 per share	23,000,000	11,500,000	-	-	11,500,000
Shares issued on conversion of debentures	1,111,111	555,556	-	-	555,556
Share issue costs	-	(1,282,857)	-	-	(1,282,857)
Share issue costs - Finder's shares	250,000	125,000	-	-	125,000
Share issue costs - Finder's warrants	-	(484,063)	484,063	-	-
Share-based payments	-	-	152,216	-	152,216
Loss for the period	-	-	-	(591,848)	(591,848)
Balance as at June 30, 2012	39,761,111	$ 11,670,003	$ 866,478	$ (1,520,183)	$ 11,016,298
Balance as at December 31, 2012	39,786,611	$ 11,689,461	$ 859,770	$ (2,114,299)	$ 10,434,932
Private placement	12,307,694	8,000,001	-	-	8,000,001
Share issue costs	-	(217,499)	-	-	(217,499)
Exercise of warrants	13,000	6,500	-	-	6,500
Reclassify fair value of warrants exercised from reserve	-	3,420	(3,420)	-	-
Share-based payments	-	-	493,053	-	493,053
Loss for the period	-	-	-	(1,317,373)	(1,317,373)
Balance as at June 30, 2013	52,107,305	$ 19,481,883	$ 1,349,403	$ (3,431,672)	$ 17,399,614

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Atico Mining Corporation (the "Company") was incorporated in the Yukon Territories on April 15, 2010 and continued to British Columbia on October 4, 2011. The Company is engaged in the acquisition, exploration and development of mineral projects in Colombia and evaluating additional opportunities in Latin America. The address of its head office is Suite 501 - 543 Granville Street, Vancouver, British Columbia, Canada.

On March 13, 2012, the Company completed its initial public offering ("IPO"), where it issued 23,000,000 common shares at $0.50 per common share for gross proceeds of $11,500,000 (Note 8) and the common shares of the Company began trading on the TSX Venture Exchange ("TSX-V") under the symbol "ATY".

The Company has an option to acquire 90% of the issued and outstanding shares of Minera El Roble S.A. ("MINER"), the owner of the El Roble Mine, an operating copper-gold mine in Colombia.

These condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated. The ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. Management expects that the Company has sufficient resources and will be able to secure the necessary financing to meet the Company's exploration and administrative requirements through and beyond the next twelve months. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described below, and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in share-based payment reserve.

New and amended IFRS pronouncements effective January 1, 2013

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11 Joint Arrangements ("IFRS 11") supersedes IAS 31 Interests in Joint Ventures and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventures (amended in 2011) ("IAS 28"). The other amendments to IAS 28 did not affect the Company. The Company has not entered into any joint arrangement and concluded that the adoption of IFRS 11 did not have any effect on Atico's financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structure entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate that nature, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. Given the nature of the Company's interest in other entities, the amendments did not have an impact on the Company's financial position or performance.

(Unaudited - Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New and amended IFRS pronouncements effective January 1, 2013 (cont'd…)

IFRS 13 Fair Value Measurement ("IFRS 13") provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

The Company has adopted the amendments to IAS 1 Presentation of Financial Statements ("IAS 1"). These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Accounting Pronouncements Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and deposits at banks earning interest at floating rates based on daily bank deposit rates:

	June 30 2013	December 31 2012
Cash	$ 3,531,965	$ 2,740,913
Short-term deposits	86,250	57,500
	$ 3,618,215	$ 2,798,413

The short-term deposits are used as collateral for the Company's credit cards.

(Unaudited - Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables arise from harmonized sales taxes ("HST") and other receivables:

	June 30 2013	December 31 2012
HST receivables	$ 6,907	$ 14,774
Other receivables	38,078	11,880
	$ 44,985	$ 26,654

5. EQUIPMENT

	Office Equipment	Field Equipment	**Total**
Cost			
As at December 31, 2012	$ 44,503	$ 146,558	$ 191,061
Additions	40,997	113,062	154,059
Disposals	-	-	-
As at June 30, 2013	$ 85,500	$ 259,620	$ 345,120
Accumulated amortization			
As at December 31, 2012	$ 12,451	$ 28,837	$ 41,288
Amortization	13,643	43,877	57,520
Disposals	-	-	-
As at June 30, 2013	$ 26,094	$ 72,714	$ 98,808
Net book value			
As at December 31, 2012	$ 32,052	$ 117,721	$ 149,773
As at June 30, 2013	$ 59,406	$ 186,906	$ 246,312

For the six months ended June 30, 2013, amortization of $55,888 (2012 - $Nil) has been capitalized to exploration and evaluation assets and amortization of $1,632 (2012 - $10,226) has been included in general and administrative expenses.

(Unaudited - Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

On January 28, 2011, the Company entered into an option agreement to acquire 90% of the shares of MINER, whose main asset is the El Roble Mine located in Colombia. To exercise the option, the Company must make staged payments of US$2,250,000 over two years and a lump-sum payment of US$14,000,000 at the end of the two year option period as follows:

a) US$200,000 on January 28, 2011 (paid);
b) US$350,000 on July 28, 2011 (paid);
c) US$650,000 on January 28, 2012 (paid);
d) US$1,050,000 on July 28, 2012 (paid); and
e) US$14,000,000 on or before January 28, 2013 (extended by one year).

The option period can be extended for one year to January 28, 2014 for an additional US$1,200,000 (paid).

During the six months ended June 30, 2012, the Company incurred the following exploration expenditures on its mineral properties:

El Roble, Colombia	**June 30 2013**
Opening balance	
Acquisition Costs	$ 2,346,785
Exploration Expenditures	5,102,859
	7,449,644
Additions during the period:	
Acquisition Costs	
Property acquisition costs	1,310,011
	1,310,011
Exploration Expenditures	
Assays	618,285
Drilling	2,048,916
Field costs/logistical support	418,021
General and administrative	643,626
Geophysics	426,177
Salaries and benefits	520,404
	4,675,429
Ending balance	**$ 13,435,084**

(Unaudited - Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	June 30 2013	December 31 2012
Trade accounts payable	$ 642,492	$ 147,349
Accrued liabilities	126,179	38,934
	$ 768,671	$ 186,283

8. SHARE CAPITAL

Authorized Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Issued Share Capital

In January 2013, the Company completed a non-brokered private placement for gross proceeds of $8,000,001 by issuing 12,307,694 units at $0.65. Each unit was comprised of one common share and one-half of one non-transferable common share purchase warrant, where each warrant entitles the holder to purchase an additional common share at $0.90 until July 16, 2014. The Company paid cash finders' fees of $213,900.

In March 2012, the Company completed its IPO for gross proceeds of $11,500,000 by issuing 23,000,000 common shares at $0.50 per share. In connection with the IPO, the Company paid its agent a cash commission of 7% of the gross proceeds. It also issued 250,000 common shares to its agent, valued at $125,000 and 1,840,000 finder's warrants, valued at $484,063 using the Black-Scholes option pricing model, where each warrant is exercisable at $0.50 per share for 2 years from the closing date.

In March 2012, the Company issued 1,111,111 common shares, valued at $555,556, for the aggregate principal amount of debentures issued in September 2011.

During the six months ended June 30, 2013, the Company issued 13,000 (2012 - Nil) common shares for the exercise of share purchase warrants for proceeds of $6,500 (2012 - $Nil).

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Stock Options

The continuity of stock options for the six months ended June 30, 2013 is as follows:

Expiry Date	Exercise Price	**Balance December 31 2012**	Granted	Exercised	Expired/ Cancelled	**Balance June 30 2013**
June 30, 2016	$ 0.50	1,710,000	-	-	-	1,710,000
July 11, 2016	0.50	145,000	-	-	-	145,000
April 24, 2017	0.55	250,000	-	-	-	250,000
May 16, 2017	0.51	130,000	-	-	-	130,000
February 4, 2018	0.98	-	1,820,000	-	-	1,820,000
March 1, 2018	0.98	-	340,000	-	-	340,000
Outstanding		2,235,000	2,160,000	-	-	4,395,000
Weighted average exercise price		$ 0.51	$ 0.98	$ -	$ -	$ 0.74
Exercisable		2,235,000				2,235,000

The weighted average remaining life of the stock options outstanding is 3.87 years (December 31, 2012 - 3.64).

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Warrants

The continuity of share purchase warrants for the six months ended June 30, 2013 is as follows:

Expiry Date	Exercise Price	Balance December 31 2012	Issued	Exercised	Expired/ Cancelled	Balance June 30 2013
March 12, 2014	$ 0.50	1,574,500	-	(13,000)	-	1,561,500
March 21, 2014	0.50	240,000	-	-	-	240,000
July 16, 2014	0.90	-	6,153,847	-	-	6,153,847
Total		1,814,500	6,153,847	(13,000)	-	7,955,347
Weighted average exercise price		$ 0.50	$ 0.90	$ 0.50	$ -	$ 0.81

The weighted average remaining life of the share purchase warrants outstanding is 0.97 years (December 31, 2012 - 1.20).

Share-based Payments and Share-based Payment Reserve

During the six months ended June 30, 2013, the Company granted 2,160,000 (2012 - 380,000) stock options to employees, directors and officers of the Company, all of which will vest over 18 months. Using the fair value method for share-based payments, the Company determined the fair value of the options granted to be $1,591,848 (2012 - $152,216) or $0.74 (2012 - $0.40) per option. In accordance with the vesting terms, the Company recorded a charge to share-based payments with the offsetting credit to share-based payments reserve of $493,053 (2012 - $152,216).

During the six months ended June 30, 2013, the Company issued Nil (2012 - 1,840,000) share purchase warrants as share issue costs. Using the fair value method for share-based payments, the Company recorded a charge to share capital of $Nil (2012 - $484,063) or $Nil (2012 - $0.26) per warrant, for finder's warrants issued.

The fair value of stock options and finder's warrants issued was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

Weighted average:	June 30 2013	June 30 2012
Risk free interest rate	1.45%	1.18%
Expected dividend yield	0%	0%
Expected stock price volatility	100%	100%
Expected life in years	5	2
Forfeiture rate	0%	0%

(Unaudited - Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Six months ended June 30, 2013	Salary or Fees	Share-based Payments	Total
Management	$ 213,328	$ 234,846	$ 448,174
Outside directors	-	160,252	160,252
Seabord Services Corp.	92,400	-	92,400
	$ 305,728	$ 395,098	$ 700,826

Six months ended June 30, 2012	Salary or Fees	Share-based Payments	Total
Management	$ 127,842	$ 102,760	$ 230,602
Outside directors	-	-	-
Seabord Services Corp.	88,200	-	88,200
	$ 216,042	$ 102,760	$ 318,802

Seabord Services Corp., (“Seabord”) is a management services company controlled by a director. Seabord provides a chief financial officer, a corporate secretary, accounting staff, administration staff and office space to the Company. The Chief Financial Officer and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

Included in accounts payable and accrued liabilities is $Nil (December 31, 2012 - $199) owed to related parties.

(Unaudited - Expressed in Canadian Dollars)

10. SEGMENTED INFORMATION

As at June 30, 2013 and December 31, 2012, the Company operated in one reportable operating segment, being the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

As at June 30, 2013	Canada	Colombia	Other	**Total**
Cash and other assets	$ 3,664,619	$ 779,549	$ 42,721	$ 4,486,889
Equipment	-	231,853	14,459	246,312
Exploration and evaluation assets	-	13,435,084	-	13,435,084
Total assets	$ 3,664,619	$ 14,446,486	$ 57,180	$ 18,168,285

As at December 31, 2012	Canada	Colombia	Other	**Total**
Cash and other assets	$ 2,693,980	$ 231,345	$ 96,473	$ 3,021,798
Equipment	-	146,937	2,836	149,773
Exploration and evaluation assets	-	7,449,644	-	7,449,644
Total assets	$ 2,693,980	$ 7,827,926	$ 99,309	$ 10,621,215

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the six months ended June 30, 2013, the Company:

a) reallocated share-based payment reserve of $3,420 to share capital for warrants exercised; and
b) incurred exploration and evaluation expenditures of $654,394 included in accounts payable and accrued liabilities.

During the six months ended June 30, 2012, the Company:

a) issued 250,000 common shares, valued at $125,000, as share issue costs (Note 8);
b) issued 1,840,000 finder's warrants, valued at $484,063, as share issue costs (Note 8);
c) reallocated deferred share issuance costs of $83,455 to share capital;
d) issued 1,111,111 common shares, valued at $555,556, for the aggregate principal amount of debentures (Note 8); and
e) incurred exploration and evaluation expenditures of $265,339 included in accounts payable and accrued liabilities.

(Unaudited - Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Financial Instruments

The Company classified its financial instruments as follows:

As at June 30, 2013	Loans and Receivables	Other Financial Liabilities
Cash and cash equivalents	$ 3,618,215	$ -
Receivables	44,985	-
Accounts payable and accrued liabilities	-	(768,671)
	$ 3,663,200	$ (768,671)

As at December 31, 2012	Loans and Receivables	Other Financial Liabilities
Cash and cash equivalents	$ 2,798,413	$ -
Receivables	26,654	-
Accounts payable and accrued liabilities	-	(186,283)
	$ 2,825,067	$ (186,283)

Fair Value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Fair value (cont'd…)

As at June 30, 2013, the Company's financial instruments measured at fair value are as follows:

Financial Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,618,215	$ -	$ -	$ 3,618,215

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations.

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit Risk

Credit risk arises from cash and deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions.

There is no significant concentration of credit risk other than cash deposits. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure.

(Unaudited - Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd…)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Financial liabilities, as at June 30, 2013, included $768,671 of accounts payable and accrued liabilities that have expected maturity dates of less than one year from the reporting date. Balances due within 12 months equal their carrying balance as the impact of discounting is not significant.

The Company is currently considering funding options that are available including raising additional funds from institutional investors and/or current shareholders and is confident that funding will be available to cover its administrative and exploration expenditures and to exercise its option to acquire 90% of the El Roble Mine assets.

Interest rate risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates. As at June 30, 2013, the Company did not have any interest-bearing loans.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and Colombia and incurs expenditures in currencies other than Canadian dollars. Therefore, the Company is exposed to foreign exchange risk. The Company has not hedged its exposure to currency fluctuations.

As at June 30, 2013, the Company is exposed to currency risk through the following assets and liabilities:

	US dollars	Colombian pesos	**Total**
Cash and cash equivalents	$ 4,977	$ -	
Accounts payable and accrued liabilities	(114,613)	(1,066,694,614)	
Net exposure	(109,636)	(1,065,952,013)	
Canadian dollar equivalent	$ (115,406)	$ (581,979)	$ (697,385)

Based on the above net exposure as at June 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and Colombian peso would result in an increase/decrease of approximately $69,700 in the Company's pre-tax profit or loss.

13. EVENT AFTER REPORTING DATE

On August 15, 2013, the Company announced its plans to complete a brokered private placement for aggregate gross proceeds of $10,035,000, a non-brokered private placement for aggregate gross proceeds of approximately $2,025,000, a US$6,000,000 senior secured repayable debt facility, and a private placement of an aggregate of US$2,000,000 of convertible debentures. Details of the Company's proposed financings can be found in its news release dated August 15, 2013 at www.AticoMining.com.